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U.S. DEPARTMENT
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Office of Management PF 2025-22 Adjusting Department of Energy Grant Policy for Institutions of H..

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BACKGROUND: Pursuant to 5 U.S.C. 553(a)(2), the Department of Energy (“Department”) is updating its policy with respect to Department grants awarded to institutions of higher education (IHEs).

Through its grant programs, the Department funds Department-sanctioned research. A portion of the funding goes to “indirect costs”, which include both facilities and administration costs. See 2 C.F.R. 200.414(a). “Facilities costs” comprise “depreciation on buildings, equipment and capital improvements, and operations and maintenance expenses,” while “administration costs” are “general administration and [other] general expenses,” like funding for “the director’s office, accounting, [and] personnel.” *Id.*

While the Department is cognizant that many grant recipients use indirect cost payments to effectuate research funded by the Department’s grant awards, these payments are not for the Department’s direct research funding. See 89 Fed. Reg. 30046-30093. As these funds are entrusted to the Department by the American people, the Department must ensure it is putting them to appropriate use on grant programs. To improve efficiency and curtail costs where appropriate, the Department seeks to better balance the financial needs of grant recipients with the Department’s obligation to responsibly manage federal funds.

This memorandum accordingly sets forth the Department’s updated policies, procedures, and general decision-making criteria for establishing indirect cost rates when awarding grants to IHEs; these policies, procedures, and criteria are intended to better balance the Department’s dual responsibilities to grant recipients and the American people.

The Department is initially taking this action only with respect to IHEs. See 2 C.F.R. 200.414(c)(1); *id.* 200.1.

ESTABLISHING APPROPRIATE INDIRECT COST RATES:

At present, the Department’s indirect cost rate for IHE grants is typically negotiated by either “the Department of Health and Human Services (HHS) or

the Department of Defense's Office of Naval Research (DOD), normally depending on which of the two agencies (HHS or DOD) provide[d] more funds to the [relevant] educational institution for the most recent three years." 2 C.F.R. pt. 200, app. III(C)(11)(a)(1). Though the Department generally must accept this negotiated rate, see 2 C.F.R. 200.414(c)(1), it may deviate therefrom for "a class of Federal awards" after implementing and making publicly available "the policies, procedures and general decision-making criteria" it will follow when seeking and justifying deviations. Id. 200.414(c)(1), (3). A "class of Federal awards" is defined to include "a group of Federal awards . . . to a specific type of recipient or group of recipients," such as grants to IHEs—the class relevant to this policy update. Id. 200.1.

For the reasons set forth in this memorandum, hereinafter, the Department will no longer use the negotiated indirect cost rate for grants awarded to IHEs. Instead, it is setting a standardized 15 percent indirect cost rate for all grant awards to IHEs. This is at the high end of the "up to 15 percent" de minimis rate permitted by government-wide regulation. See, e.g., 2 C.F.R. 200.414(f). Consistent with this memorandum, the Department is undertaking action to terminate all grant awards to IHEs that do not conform with this updated policy. See 2 C.F.R. 200.340(a), (b). Recipients subject to termination will receive separate notice and guidance.

All future Department grant awards to IHEs will default to this 15 percent indirect cost rate. This system will better balance the Department's twin aims of funding meaningful research and upholding its fiduciary duties to the American people.

Additional information is forthcoming.

For DOE questions concerning this policy flash, please email: ihe-icr-response@hq.doe.gov

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